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ABSTRACT

This brief report to the U.S. General Accounting Office addresses problems associated with the Social Security Administration's (SSA) reimbursement, under the 1981 amendments to the Social Security Act, of state vocational rehabilitation agency expenses. Results of interviews with SSA and state officials as well as analysis of statistical data and sample reimbursement claims indicate that current SSA funding provides little incentive to work with disabled persons covered under the Social Security Disability Insurance (SSDI) program. Among problems identified are lack of motivation on the part of SSDI beneficiaries (because they are older and more severely disabled than other clients); difficulty in satisfying SSA criteria for reimbursement; and cumbersome procedures for claimant reimbursement. Suggestions include liberalizing the reimbursement rules and speeding the processing of reimbursement claims. (DB)

GAO United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-224648

February 3, 1987

The Honorable Andrew Jacobs, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The former Chairman requested information on the relationship between the Social Security Disability Insurance (SSDI) program and the vocational rehabilitation programs operated by state agencies. The results of our review of the problems and prospects of rehabilitating SSDI beneficiaries will be covered in a later report. We are providing this briefing report because your office indicated a need for information on the problems associated with the Social Security Administration's (SSA's) reimbursement, under the 1981 amendments to the Social Security Act, of state vocational rehabilitation agency expenses.

State vocational rehabilitation agencies are largely funded by the Rehabilitation Services Administration of the Department of Education. The mission of vocational rehabilitation agencies is to provide a variety of rehabilitation services to handicapped and disabled people. About 10 percent of the people vocational rehabilitation agencies serve are SSDI beneficiaries; the remaining 90 percent are generally not qualified for SSDI benefits because of an inadequate work history or a disability that is not severe enough.

Beginning in 1965, the Congress, through SSA, provided additional funding to vocational rehabilitation agencies in hopes of increasing the rehabilitation of SSDI beneficiaries. In 1981, the Congress changed the method of funding from a formula basis to a reimbursement procedure; since then, both funding and rehabilitation of SSDI beneficiaries have declined substantially.

During our review, we interviewed SSA and state officials, examined statistical data from SSA, and analyzed a sample of pending reimbursement claims at SSA's Vocational Rehabilitation Branch. (See pp. 7-8.)

In summary, we found that state vocational rehabilitation officials believe current SSA funding provides little incentive to work with SSDI beneficiaries. They said that

-- SSDI beneficiaries often require special efforts to motivate because they are generally older and more severely disabled than other clients; they have economic disincentives to working since their post-rehabilitation earnings may be less than their lost SSDI benefits;

-- the criteria for SSA reimbursement are difficult to satisfy, leaving their agencies with uncertainty as to whether SSA will reimburse them (see p. 9); and

-- the procedures for claimant reimbursement are cumbersome, requiring information that agencies do not routinely provide for their other clients.

State officials said that they believed more SSDI beneficiaries would be rehabilitated if the Congress liberalized the reimbursement rules. In addition, state officials have complained about the time it takes to receive reimbursement from SSA. In a sample of pending claims reviewed by us in June 1986, 64 percent were more than 180 days old. SSA has improved timeliness of reimbursement somewhat. By November 30, 1986, 51 percent were less than 120 days old. (See p. 7.)

We discussed the matters included in this briefing report with SSA officials in the Office of Disability and its Vocational Rehabilitation Branch, incorporating their comments where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this briefing report until 30 days from its issue date. At that time, we will send copies to the Secretary of Health and Human Services and the Director, Office of Management and Budget, and make copies available to others on request.

Should you need additional information on the contents of this briefing report, please call me on 275-6193.

Sincerely yours,

Joseph F. Delfico

Joseph F. Delfico
Senior Associate Director

Contents

ABBREVIATIONS

RSA	Rehabilitation Services Administration
SGA	substantial gainful activity
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
VR	vocational rehabilitation

STATE VOCATIONAL REHABILITATION AGENCIES' REIMBURSEMENT FOR THE DISABLED

BACKGROUND

Since 1920, state vocational rehabilitation (VR) agencies have administered a federally funded rehabilitation program for handicapped and disabled people. The Department of Education's Rehabilitation Services Administration (RSA) provides most of the funding, using a formula base with a 20-percent match required from the states. The Congress, in establishing the Social Security Disability Insurance (SSDI) program in 1956, stated that beneficiaries should be referred promptly to state VR agencies for possible rehabilitation. To increase the participation of SSDI beneficiaries in VR programs, in 1965 the Congress (through the Social Security Administration [SSA]) authorized additional funding for VR agencies. From 1965 through 1981, VR agencies received funds from SSA to cover the cost of counseling, training, and other services provided to SSDI beneficiaries who met certain selection criteria established by SSA. Later, the Congress extended this program to allow SSA to pay VR agencies for working with disabled beneficiaries of Supplemental Security Income (SSI) under title XVI of the Social Security Act. In fiscal year 1981, VR agencies received $854 million from RSA and $124 million from SSA.

In a 1976 report,[1] GAO questioned the basis for SSA's funding of state VR agencies' programs because they were formula based and unrelated to a demonstrated success in reducing the SSDI benefit rolls. In 1981, the Congress amended the Social Security Act to restrict VR agencies' funding to cases where the beneficiary returned to substantial gainful activity (SGA) for at least 9 continuous months (Public Law 97-35 sec. 229). As of December 1986, SGA was defined as earnings of $650 per month for blind beneficiaries or $300 per month for all other disabled beneficiaries.

Under the 1965-81 funding program, states received SSA money at the beginning of each fiscal year. Currently, states must submit individual claims for reimbursement, showing the cost of VR agency services provided each beneficiary and the period during which services were provided. States can be reimbursed for VR services provided only (1) during months when the beneficiary was entitled to benefits from SSA or (2) during the initial 5-month waiting period between the onset of disability and the first month of benefits. For example, if a VR agency began working with a person 3 months before the SSDI waiting period

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[1] Improvements Needed in Rehabilitating Social Security Disability Insurance Beneficiaries (MWD-76-66, May 13, 1976).

started, the agency could not be reimbursed for services provided in those 3 months.

SSA funding of rehabilitation services has fallen sharply under the new procedures. RSA and SSA funding of VR agencies from 1981 through 1986 are shown in table 1.

Table 1: Source of State Vocational Rehabilitation Agency Funding (1981-86)

Fiscal year	RSA funds Amount (millions)	RSA funds Percent	SSA funds Amount (millions)	SSA funds Percent	Total amount (millions)
1981	$ 854.3	87.3	$124.1	12.7	$ 978.4
1982	863.0	99.6	3.3[a]	0.4	866.3
1983	943.9	99.4	5.6[a]	0.6	949.5
1984	1,037.2	99.6	4.3	0.4	1,041.5
1985	1,100.0	99.1	9.9	0.9	1,109.9
1986 est.	1,145.1	98.3	20.0	1.7	1,165.1

[a]SSA did not begin approving and paying claims until it had issued regulations for the new procedure. In these years, however, SSA advanced money to the state agencies to be charged against claims when they were approved.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman of the Subcommittee on Social Security, House Committee on Ways and Means, requested that we review the relationship between state VR programs and the SSDI program. Subsequent discussions with the Chairman's office indicated that a principal concern of our work should be to explain why so few SSDI beneficiaries participate successfully in VR programs and return to work.

The Chairman's office requested that we gather information on SSA's reimbursement of VR agencies before we reported on the relationship between the VR and SSDI programs. This briefing report is in response to that request. Here we discuss SSA's current procedures for reimbursing state VR agencies for services provided to SSDI beneficiaries. We present (1) views of SSA and state officials; (2) statistical data obtained from SSA on reimbursement claims received, claims completed, and the workload of claims awaiting payment; and (3) data obtained from our review of 66 state VR claims that had been submitted to SSA for reimbursement. We selected these 66 claims at random to get a better understanding of the SSA procedures for reviewing and paying state VR claims. The sample was not intended to be representative of the universe of state VR agency claims.

We also present views expressed by VR agency officials from two groups of states. The first group is the 10 states included in our general review of the VR agency experiences with SSDI beneficiaries. We chose those states because they represented widely varying practices on referring SSDI claimants to VR, an area we wanted to analyze in detail. Although these states do not statistically represent the nation as a whole, they accounted for nearly 40 percent of the disability determinations made in fiscal year 1985. The 10 states are California, Connecticut, Illinois, Kentucky, New Jersey, Ohio, Pennsylvania, South Carolina, Texas, and Wisconsin. In addition, we spoke with officials of 12 other state VR agencies that had had limited participation in the SSA reimbursement program; we tried to determine the reasons for their lack of participation. These included agencies serving blind clients in Idaho, Missouri, and Rhode Island; agencies serving disabled clients other than the blind in Arkansas, Delaware, Louisiana, Michigan, and Rhode Island; and combined agencies for the blind and nonblind in the District of Columbia, Nevada, New Mexico, and West Virginia.

Our review was completed in August 1986, and carried out in accordance with generally accepted government auditing standards.

REIMBURSEMENT PROCEDURES CONSIDERED BURDENSOME

In our visits to VR agencies in the 10 states cited earlier, we received numerous comments about the burdensome nature of the procedures for VR agency reimbursement. We also heard complaints about delays in receiving payment.

Resolution of a disability claim requires (1) verification that the VR agency expenditures occurred during months when the client was entitled to SSDI or SSI benefits and (2) the client's completion of a 9-month period of earnings at, or above, the SGA level. Thus, to submit an effective claim for reimbursement on an SSDI or SSI client, a VR agency must (1) record the client's rehabilitation expenses on a monthly basis and determine which months qualify for reimbursement, and (2) track and document the client's earnings for 9 months. To document client earnings over a 9-month period, states must attach state employment wage records or signed statements by the employer or client.

To obtain reasons for not claiming reimbursement, we contacted officials of the 12 state VR agencies cited earlier that have declined to submit claims for reimbursement or have gone long periods of time without submitting claims. In general, these state VR agency officials cited the administrative effort required to track and document claims as a disincentive to submitting them. Also mentioned by officials were state laws requiring reimbursements to go to the general fund rather than the

VR agency. Officials in five states said they lacked automated-data-processing resources for preparing claims.

SSA Has a Backlog of Claims

SSA has a considerable backlog of claims for VR reimbursement. As of November 30, 1986, there were 5,040 claims pending in various stages of processing. Based on the fiscal year 1986 average of 535 claims completed per month, the pending claims represented more than 9 months' work.

To obtain information on the factors causing delayed processing, we reviewed a sample of 66 pending claims in June 1986. Of these, 24 were less than 180 days old, 19 were between 180 days and 365 days old, 18 were between 1 year and 2 years old, and 5 were more than 2 years old. The primary cause of delay was SSA's procedure for verifying that the beneficiary had worked 9 continuous months at, or above, the SGA level. This was delaying 57 of the 66 claims, of which 42 were at SSA district offices awaiting completion of earnings documentation.

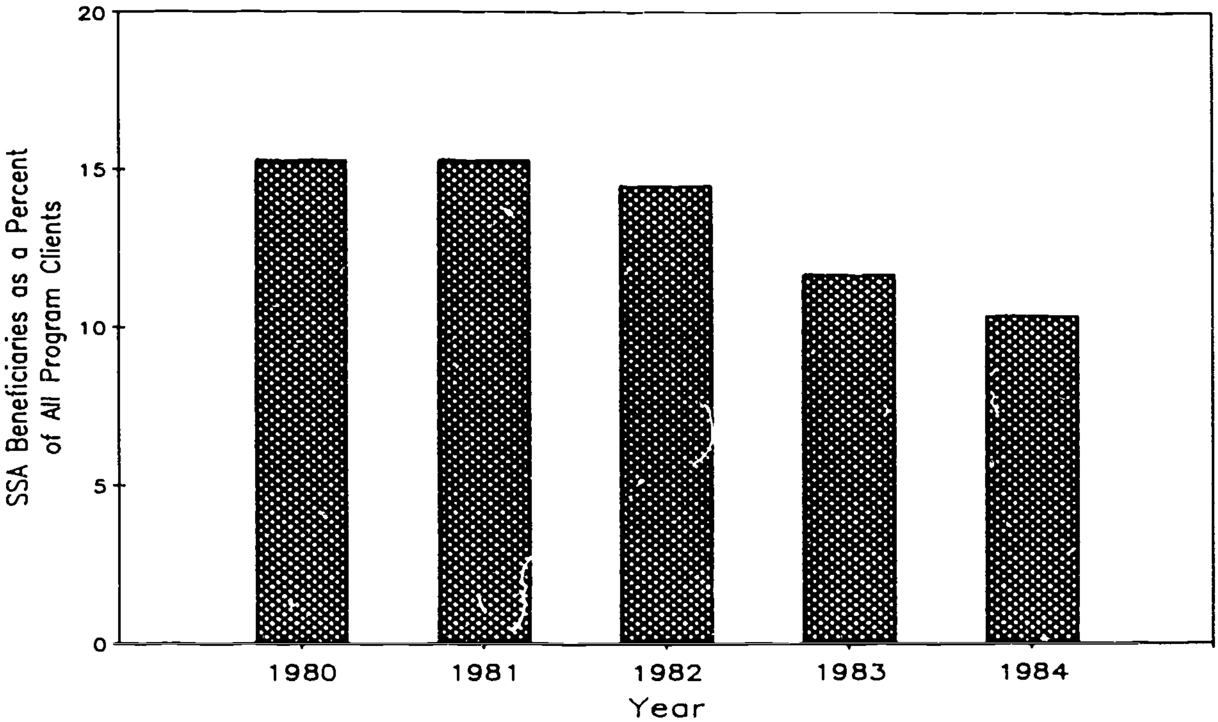
SSA has attempted to expedite the processing of reimbursement claims. In August 1985, SSA adopted a "tolerance" policy. This allows SSA to accept certain types of earnings documentation from state agencies, without SSA field office verification, if the beneficiary's earnings were $200 or more above the SGA level ($100 or more in blindness cases). SSA officials believe this will improve the timeliness of reimbursement. SSA has also changed its payment schedule from once a month to twice weekly to improve timeliness. Finally, SSA has plans for automating some of the VR claims process.

During fiscal year 1986, SSA increased the number of claims processed monthly, and gradually reduced its backlog throughout much of the year. However, claims rose also, and the backlog grew again from August through November 1986. As of this report, SSA has improved the timeliness of reimbursement somewhat. On July 31, 1986, 65 percent of SSA's pending claims were more than 180 days old. By November 30, 1986, 51 percent were less than 120 days old.

REHABILITATION CLAIMS DECLINE

Since 1981, the number of SSDI and SSI beneficiaries rehabilitated by VR agencies has declined markedly, both in absolute numbers and as a percentage of total successful rehabilitations. RSA defines successful rehabilitation as placement of a client in suitable employment for at least 60 days. This rehabilitation, as reported by state agencies, is shown in figure 1.

Figure 1: SSA Beneficiaries Served by the Vocational Rehabilitation Program (1980–84)



VR agency administrators and counselors view SSDI beneficiaries as difficult clients; special efforts are often required to motivate these clients for rehabilitation. According to the VR agency officials, this is because SSDI beneficiaries are generally older and more severely disabled than other VR agency clients. SSDI beneficiaries also have an economic disincentive because they may lose their SSDI benefits if they work. Counselors said many SSDI beneficiaries cannot earn enough after rehabilitation to compensate for the loss of their benefits.

Since the funding process changed in 1981, VR officials in 9 of the 10 states we visited told us their agencies have become more cautious in taking SSDI beneficiaries into their programs. These officials said the lesser likelihood of success with SSDI beneficiaries, combined with the uncertainty of getting reimbursed for expenses, discourages agencies. Two state rehabilitation agencies, in Texas and California, instructed their disability determination units not to refer any SSDI or SSI claimants to VR agencies except for blind claimants.

STATES DISSATISFIED WITH REIMBURSEMENT PROCEDURES

State dissatisfaction with the reimbursement procedure is partly related to the substantial difference between SSA's and RSA's definitions of successful rehabilitation. State VR agencies operate under guidelines from RSA, their principal funding agency. RSA defines a successful rehabilitation as placement of a client in suitable employment for at least 60 days. This would normally be the end of VR agency services, unless the counselor decided the client needed postemployment counseling. Under SSA reimbursement rules, a client must work 9 continuous months at the SGA level before the VR agency can claim reimbursement. VR officials said they sometimes lose reimbursement because the client stops working before the 9-month period ends or because the client's earnings cannot be adequately documented for 9 months. They believe this is unfair because the VR agency has provided services in good faith, placing the client in competitive employment above the SGA earnings level.

SSA officials said that states frequently complain about denial of reimbursement for months in which the client is not entitled to SSDI or SSI benefits. They said this can be a particular problem with SSI clients whose benefit status can change from month to month as their earnings change. An official of Pennsylvania's VR agency told us of such a case. The VR agency helped a paraplegic get a job as a computer programmer, and, in due course, SSA removed him from their benefit rolls, reimbursing the VR agency for $3,977. But the VR agency had not closed the paraplegic's case, providing him with a special modified van and driver's education to help him retain his job. Because the paraplegic was no longer on the benefit rolls, these additional expenses were not reimbursed by SSA. The VR agency spent $21,914 on this person's rehabilitation, charging the amount not reimbursed by SSA to RSA and state funds.

During our discussions with the 10 VR officials, 6 indicated that VR agencies would have a greater incentive to work with SSDI clients if they were reimbursed for clients placed in competitive employment at the SGA level or above for at least 60 days. This definition of success would then be similar to that used by RSA and would not require additional tracking of clients by the VR agencies. This would, however, require a legislative change since the current law specifies the 9-month period.

CONCLUSION

Under the reimbursement rules established by the 1981 Social Security Amendments, SSA's funding of state VR agencies, intended originally to encourage the rehabilitation of SSDI beneficiaries, has fallen sharply. Rehabilitation of SSDI and SSI beneficiaries

has also declined substantially, becoming a smaller percentage of total VR agency rehabilitations. State VR agency officials believe the reimbursement procedure is burdensome; they say the SSA funds no longer serve as an incentive to VR agencies.

Under the current reimbursement procedures, SSA is attempting to improve the timeliness of VR agency claims processing. However, the level of funding is likely to remain small, and VR agencies are likely to be selective in working with SSDI beneficiaries.

If the Congress increased SSA funding of rehabilitation by liberalizing the reimbursement rules, state officials believe more SSDI beneficiaries would be rehabilitated. These officials say, however, that these beneficiaries are a difficult group to motivate for rehabilitation. We do not have data to determine whether rehabilitations would or would not increase under liberalized reimbursement procedures.

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